



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

April 27, 2001

TO: Lowell P. Braxton, Director *Agree LHB*

THRU: Mary Ann Wright, Associate Director *MW*

THRU: D. Wayne Hedberg, Permit Supervisor *DWH*

FROM: Lynn Kunzler, Senior Reclamation Specialist *LK*

RE: Request for Approval of Form and Amount of Reclamation Surety, Star Stone Quarries, Inc., Cotton Thomas Mine, M/003/024, Box Elder County, Utah

*Replaced RC
& surety
3/18/02 + 7/10/02*

The Division finalized the review of Star Stone Quarries, Inc.'s Cotton Thomas Mine, located in Box Elder County, Utah and tentative approval was granted August 8, 2000. The tentative approval notice was sent to the local newspapers on November 9, 2000, to begin a 30-day public comment period. Comments were received from three parties regarding this project; therefore, the Division attached two conditions to the tentative approval: 1) Operator to identify area boundary and fence the disturbed area boundary and property line separating his property from the adjacent land owners before conducting any further mining related activities at the East Granite Pit (no later than 7/31/2001); and 2) Operator will apply for and obtain a mineral lease from SITLA before removing any material or conducting any mining activity on Section 20, T14N, R17W. The operator accepted these conditions on March 30, 2001.

On April 27, 2001, the operator provided the Division with a Reclamation Contract and surety bond # _____, issued by Redland Insurance Company in the amount of \$105,200. The surety company has an "A" rating, but is not listed on the federal register listing of acceptable bonding companies. The operator is aware that if our rules are changed which requires that a surety company be listed on the federal register of acceptable bonding companies, he may have to post new surety. However, we have been informed by the insurance broker that the surety company was left off the federal register in error and Redland Insurance Company will be added to the register. The Division's legal counsel has reviewed the forms for accuracy.

If you are in agreement with the acceptance of the reclamation surety please sign and date the documents. We will then issue final Division approval for the Cotton Thomas Mine. We have also prepared a letter for your signature to First Security Bank authorizing release of the \$29,000 interim surety presently held for this project. Thank you for your consideration of this request.

jb
Enclosure: MR-RC & surety
M03-24-dir—mem.doc

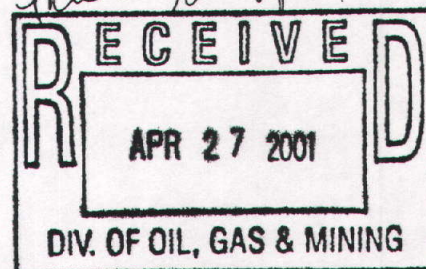
APR - 5 2001

File Number M/003/024

Effective Date May 1, 2001

Other Agency File Number _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/003/024
(Mineral Mined) Quartzite / Granite

"MINE LOCATION":
(Name of Mine) Cotton Thomas
(Description) 12 miles west-north west
of Lynn UT, Box Elder Co.
UTAH

"DISTURBED AREA":
(Disturbed Acres) 66.3 acres
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Star Stone Quarries inc
(Address) 4040 South 300 West
Salt Lake City UT 84107

(Phone) 801-262-4300

"OPERATOR'S REGISTERED AGENT":

(Name)
(Address)

Lon A. Thomas
4040 South 300 West
Salt Lake City UT 84107

(Phone)

801-262-4300

"OPERATOR'S OFFICER(S)":

Lon A. Thomas President.
Beverly Thomas Sec. Treas.

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Redland ins. Co. (REDACTED)

"SURETY AMOUNT":

(Escalated Dollars)

\$ 105,200⁰⁰

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Star Stone Quarries inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/003/024 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated June 21, 2000, and the original Reclamation Plan dated June 21, 2000. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Star Stone Quarries inc
Operator Name

By Lon Thomas
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

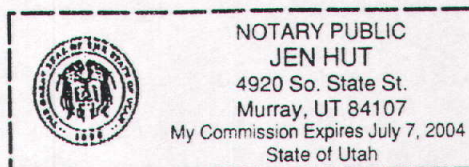
Lon Thomas
Officer's Signature

4-26-01
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 26th day of April, 2001, Lon A. Thomas
personally appeared before me, who being by me duly sworn did say that he/she is the
President of Starstone Inc. and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said he
duly acknowledged to me that said company executed the same.

Jen Hut
Notary Public
Residing at Murray, Utah
07-07-04
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

Date 5/1/01

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 1st day of May, 2001, Lowell P. Braxton personally appeared before me, who being duly sworn did say that he/~~she~~, the said Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

Star Stone Quarries inc
Operator

Cotton Thomas
Mine Name

M/003/024
Permit Number

Box Elder County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed is:

See Attachment "A" For legal description

All Descriptions on Attachment A are in :

[Township 14 N Range 17 W
~~SB 3/4~~ SLB 3/4 m Box Elder County UT.]

ATTACHMENT "A" - Legal Description
Cotton Thomas Quarry - M/003/024

| QUARRIES | | |
|--|--|---|
| Acres | Quarry Name | Legal Description |
| 16.78 | Autumn Gold | S 1/2 SW 1/4 SE 1/4 of Sec. 21 and N 1/2 NW 1/4 NE 1/4 of Sec. 28 |
| 2.96 | Klondike Gold | SW 1/4 NE 1/4 NE 1/4 and E 1/2 NW 1/4 NE 1/4 of Sec. 28 |
| 3.91 | Buckskin | SE 1/4 NE 1/4 NE 1/4 of Sec. 20 and SW 1/4 NW 1/4 NW 1/4 of Sec. 21 |
| 1.12 | Windridge | SW 1/4 SW 1/4 NE 1/4 and NW 1/4 NW 1/4 SE 1/4 of Sec. 20 |
| 1.74 | Antique White | NW 1/4 SE 1/4 NW 1/4 and NE 1/4 SW 1/4 NW 1/4 of Sec. 28 |
| 1.93 | Little Heart | NW 1/4 NW 1/4 NW 1/4 of Sec. 28 |
| 5.0 | Aspen Frost | SW 1/4 NE 1/4 NE 1/4 and NW 1/4 SE 1/4 NE 1/4 of Sec. 28 |
| 3.52 | North Granite | NE 1/4 NE 1/4 of Sec. 17 |
| 2.12 | East Granite | E 1/2 NE 1/4 NW 1/4 of Sec. 21 |
| 0.47 | West Granite | NW 1/4 NE 1/4 SE 1/4 of Sec. 17 |
| 0.4 | South Granite | NW 1/4 NW 1/4 NW 1/4 of Sec. 21 |
| 1.66 | Camp | E 1/2 NW 1/4 SW 1/4 of Sec. 28 |
| Total Acres Quarries = 41.61 | | |
| ROADS | | |
| Acres | Road Description | Legal Description of Section Road Travels Through |
| 1 0.33 | To Little Heart | W 1/2 NW 1/4 NW 1/4 of Sec. 28 |
| 2 0.45 | To Aspen Frost | SW 1/4 NE 1/4 NE 1/4 of Sec. 28 |
| 3 0.63 | From Camp to Antique White | E 1/2 SW 1/4 NW 1/4 and NE 1/4 NW 1/4 SW 1/4 of Sec. 28 |
| 4 1.09 | To Windridge | N 1/2 SE 1/4 of Sec. 20 |
| 5 1.24 | Camp to Klondike Gold | N 1/2 and SW 1/4 of Sec. 28 |
| 6 1.86 | From Buckskin to West Granite | NW 1/4 NW 1/4 of Sec. 21 and SW 1/4 SW 1/4 of Sec. 16 and SE 1/4 of Sec. 17 |
| 7 2.06 | From Buckskin to East Granite | N 1/2 NW 1/4 of Sec. 21 and SE 1/4 SW 1/4 of Sec. 16 |
| 8 2.38 | Autumn Gold to Buckskin | NW 1/4 and S 1/2 of Sec. 21 |
| 9 2.49 | North of Camp to Buckskin | NW 1/4 NW 1/4 of Sec. 28 and SW 1/4 SW 1/4 of Sec. 21 and E 1/2 of E 1/2 of Sec. 20 |
| 10 4.19 | Camp to Autumn Gold | Sec. 28 |
| 11 2.14 | Misaligned Road from Buckskin to Autumn Gold | W 1/2 of Sec. 21 |
| 12 0.37 | From West Granite NW to Existing Road | NE 1/4 NW 1/4 SE 1/4 of Sec. 17 |
| 13 2.07 | From Klondike Gold to Near Star Quarry | NW 1/4 NE 1/4 of Sec. 28 and SE 1/4 of Sec. 21 |
| 14 2.65 | Proposed Buckskin to North Granite along Ridge | W 1/2 SW 1/4 of Sec. 16 and E 1/2 NE 1/4 of Sec. 17 |
| 15 0.78 | Proposed from Windridge to Mahogany Creek | W 1/2 NE 1/4 and NE 1/4 of NW 1/4 of Sec. 20 |
| Total Acres Roads = 24.73 | | |
| Total Acres for Entire Site = 66.34 | | |

As identified on Map # 2, dated 04-16-01 All Sections located in T14N, R17W, SLB&M Box Elder Co., Ut

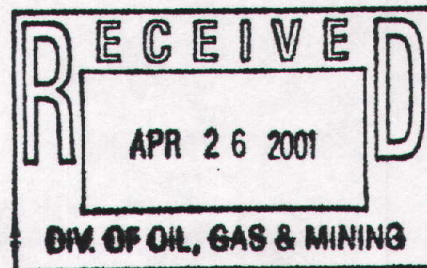
ATTACHMENT B

FORM MR-5
January 19, 2000

Bond Number _____
Permit Number M/003/024
Mine Name COTTON THOMAS QUARRY

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite-1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

*Replaced
3/18/02*



THE MINED LAND RECLAMATION ACT

SURETY BOND

*this original to
returned to
operator
7/23/02*

The undersigned STAR STONE QUARRIES, INC., as Principal, and REDLAND INSURANCE COMPANY, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of ONE HUNDRED FIVE THOUSAND TWO HUNDRED & NO/00***dollars (\$105,200.00*****).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 1st day of May, 20 01, that 66.3 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the

expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

STAR STONE QUARIES, INC.

Principal (Permittee)

Lon Thomas

By (Name typed):

Pres.

Title

Lon Thomas

Signature

4-24-01

Date

Surety Company

REDLAND INSURANCE COMPANY

Surety Company Name

ANDREW C. ALLISON

Surety Company Officer

ATTORNEY-IN-FACT

Title/Position

Andrew C. Allison

Signature

222 S. 15TH ST., SUITE 600 N

Street Address

OMAHA, NE 68102

City, State, Zip

888-200-0956

Phone Number

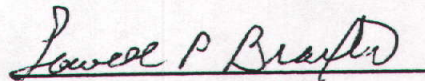
APRIL 5, 2001

Date

Bond Number _____
Permit Number M/003/024
Mine Name COTTON THOMAS QUARRY

SO AGREED this 1 day of May, 2001.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Lowell P. Braxton, Director
Utah State Division of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

POWER OF ATTORNEY

ACCEPTANCE INSURANCE COMPANY

REDLAND INSURANCE COMPANY

KNOW ALL MEN BY THESE PRESENTS: That ACCEPTANCE INSURANCE COMPANY AND REDLAND INSURANCE COMPANY (Collectively referred to as "Company"), having its executive Offices in County of Douglas, State of Nebraska, has made, constituted and appointed, and does by these presents make, constitute and appoint:

Andrew C. Allison; Tina E. Switzer; Altus E. Wilder, III

its true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred in its name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertakings, recognizances or other written obligations in the nature thereof in any amount up to \$3,000,000 for any single obligation and to bind the Corporation thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Corporation and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 18th day of October, 1993, and said Resolution has not been amended or repealed:

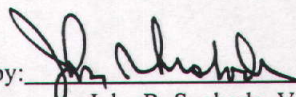
"RESOLVED, that the Chairman of the Board, the President, an Executive Vice President or a Vice President be, and that each of them is, authorized to execute Powers of Attorney qualifying the Attorney(s)-in-Fact named in the given Power of Attorney to execute in behalf of the Company, bonds, undertakings and other instruments of similar nature, and said officers may rename any such Attorney(s)-in-Fact or agent and revoke any Power of Attorney previously granted to such person.

FURTHER RESOLVED, that the signatures of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be binding upon the Company when so affixed and in the future with respect to any bond, undertaking or instruments of similar nature to which it is attached."

IN WITNESS WHEREOF, the Company has caused these presents to be signed by its Vice-President and its corporate seal to be hereunto affixed this 22ND day of APRIL, 1999.



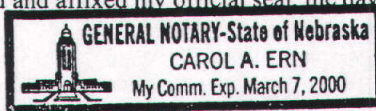
ACCEPTANCE INSURANCE COMPANY
REDLAND INSURANCE COMPANY

by: 
John R. Svoboda, Vice President

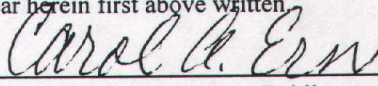
STATE OF NEBRASKA)
COUNTY OF DOUGLAS)^{ss}

On this 22nd day of April, 1999, before me personally came John R. Svoboda to me known, who, being by me duly sworn, did depose and say: that he is a Vice President of ACCEPTANCE INSURANCE COMPANY and REDLAND INSURANCE COMPANY, the Corporations described in and which executed the above instrument; that he knows the seals of said Corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed by order of the Board of Directors of said Corporations and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year herein first above written.



CERTIFICATE


Carol A. Ern, Notary Public

STATE OF NEBRASKA)
COUNTY OF DOUGLAS)^{ss}

I, the undersigned, Secretary of ACCEPTANCE INSURANCE COMPANY and REDLAND INSURANCE COMPANY, DO HEREBY CERTIFY that the above and foregoing is a true and correct copy of the POWER OF ATTORNEY executed by said Companies which is in full force and has not been revoked; and furthermore that the Resolution of the Board of Directors set forth in the Power of Attorney is now in force.

Signed and sealed at the County of Douglas. Dated the 4th day of APRIL, 2001.




Peter A. Knolla, Secretary

IF YOU HAVE ANY QUESTIONS CONCERNING THE AUTHENTICITY OF THIS DOCUMENT, YOU ARE URGED TO CONTACT OUR POWER OF ATTORNEY CUSTODIAN AT 402-344-8800 WHOSE OFFICE IS LOCATED AT 222 SOUTH 15th STREET, SUITE 600 N.; OMAHA, NE 68102.